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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

TARIFFS

New Delhi, the 20th July 1953

No. SC(A)-2(96)/52.—In their letter No. SC(A)-2(94)/52 dated 29th November 1952 the Government of India had requested the Tariff Commission to examine the claim of the Tata Iron and Steel Company for an increase in their retention prices of steel from July 1951 onwards. The Commission was also requested to recommend prices for as long a period in the future as possible, that is to say, the period up to which a major change in the structure of production may take place as a result of the expansion of the works of the Company. The Commission has now submitted its Report. The main recommendations are:

- (1) No revision of the existing retention prices for the period July 1951 to March 1952 is necessary.
- (2) The retention prices payable to the Company for the period April 1952 to March 1953 should, on the average, be Rs. 32.31 per ton more than the existing prices; and for the period April 1953 to March 1955, Rs. 66.98 more than the existing prices.
- (3) The payments made to the Company shall, as at present, continue to be subject to adjustments for the actual cost of spelter.
- (4) The retention prices for defectives, cuttings and non-standard products shall be Rs. 10 less per ton than those for standard products.
- (5) Any loss sustained by the Company or gain made by it on account of lower or higher receipts obtained by them from sales of sulphate of ammonia as compared to the amount for which credit has been taken in working out the works cost for 1953—55 should be adjusted with the Equalisation Fund.
- (6) A return of 10 per cent. on the total gross block has been allowed for 1953—55, subject to the condition that the Company shall set aside the amount of extra return of 2 per cent. less taxation for the specific purpose of modernisation and expansion in addition to the usual allocation to Reserve and that no part of it shall be utilised in or towards the payment of Managing Agency Commission or dividends or profit-sharing bonus or for distribution of profits in any other way.

2. The Government of India observe that on two important matters the Commission has recommended a departure from existing practice, namely, the rate of return on block and the treatment of the collieries owned and operated by the Company. The Commission has recommended that the rate of return on block should be raised from 8 to 10 per cent. The reasons given are that the Company

should be enabled to set aside larger amount to reserves for financing their programme of modernisation and expansion and that greater incentives should be provided for new investment. But in order to enable the Company to implement their modernisation and expansion programme, Government have already agreed to the grant of a special loan on favourable terms. Government do not therefore propose to accept the recommendation for an increase in the present rate of return on block.

3. While recommending increase in retention prices for the period April 1952 to March 1953 and April 1953—March 1955, the Commission has treated the collieries owned and operated by the Company as part of the steel works and therefore allowed for purposes of costing the actual cost of raising coal, depreciation on collieries and the return on block represented by the collieries. In all previous enquiries, the collieries have been treated as if they formed a different concern and only the controlled prices of coal have been taken into account for computing the cost of steel. The Government of India do not consider that such a major change is justifiable without a further and more comprehensive enquiry into the subject, not only as it affects this Company, but also other steel producers. The Tariff Commission will be requested to undertake this enquiry. The position regarding 1952-53 is somewhat different. When retention prices for the Steel Corporation of Bengal were revised in 1952, the method of costing adopted by the Tariff Commission took into account certain contractual agreements of the Company with the Indian Iron and Steel Company. This resulted, in effect, in the inclusion of the collieries block of the Indian Iron and Steel Company for purposes of costing. The Government of India consider that for this period similar treatment should be accorded to the Tata Iron and Steel Company. The Government, therefore, accept the recommendation of the Tariff Commission on the treatment of collieries for the period 1952-53.

4. Government regret that they are unable to agree with the Commission that any loss that may be incurred by the Company on the sale of ammonium sulphate, which is a bye-product in the manufacture of steel, should be recouped from the Equalisation Fund as they feel that this is not a proper charge on the Fund.

5. Subject to what has been stated in paragraphs 2, 3 and 4 above, Government accept all the other recommendations of the Commission and have revised the retention prices of steel accordingly. For the period April 1952 to March 1953 the increase over the existing prices will, on the average, be about Rs. 32 per ton; and for the period April 1953 to March 1955, the increase over existing retention prices will, on the average, be about Rs. 47 per ton. This may be modified, if necessary, after consideration of the special report on the treatment of collieries owned and operated by Iron and Steel producing companies.

S. BHOOHALINGAM, Secy.